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C O N F I D E N T I A L SECTION 01 OF 04 BUENOS AIRES 000264

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SUBJECT: AMBASSADOR'S MEETING WITH MINISTER OF THE  
PRESIDENCY ALBERTO FERNANDEZ

REF: BUENOS AIRES 00138

Classified By: Ambassador Lino Gutierrez for reasons 1.4 (b) and (d)

1. (C) Summary: Minister of the Presidency Fernandez told me that the GoA valued its good relationship with the U.S. and was grateful for the support of President Bush. Fernandez pledged that the GoA would cooperate with the U.S. to make the Summit of the Americas a success. He stressed that the GoA had tried to distance itself from Chavez and his anti-U.S. statements, and that Kirchner had told Chavez that the U.S. had been helpful to Argentina. That said, the GoA believes governments should not isolate Chavez. I laid out our concerns about Chavez and urged the GoA to rein him in. We also discussed Article 98, terrorism legislation, investor issues, the debt, ICSID claims, and internal politics. End Summary.

2. (U) Prior to my departing post for Washington, I had lunch one-on-one with Minister of the Presidency Alberto Fernandez. Fernandez looked tired, but seemed resigned to the pressures and demands of working for President Nestor Kirchner.

Chavez  
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3. (SBU) Fernandez repeated what the Foreign Ministry had told us about the Chavez visit: the Argentines were uncomfortable with his anti-U.S. rhetoric, had asked him to refrain from criticizing the U.S. (he had not complied), and had significantly reduced Kirchner's participation in the visit, which included a meeting and a lunch attended by 20 people. The Casa Rosada had purposely released a photograph of Kirchner looking at his watch while Chavez looked on. This was meant as a message to the world that the GOA is not comfortable with Chavez.

4. (C) That said, the GoA believes (as Kirchner told Codel Dodd reftel) that Chavez should not be isolated. The Chavez one sees in public is totally different than the private Chavez, who is more reasonable and less bombastic. It is better to bring Chavez into the tent than to isolate him, Fernandez averred. Fernandez said he was convinced that, with the referendum behind him, Chavez now feels more secure and sees less of a need to overstep his bounds.

5. (C) I replied that the United States was extremely concerned about Chavez's actions. It is evident that Chavez had turned his anti-U.S. rhetoric up a notch. (Fernandez agreed.) But what concerned us even more was the measures Chavez had taken against the Opposition. Fernandez asked which measures gave us the most concern. I cited three examples: the media law, prosecution of NGO's, and the packing of the Supreme Court by 20 additional justices. Fernandez winced at the last one, suggesting that he was not aware of it. I added that President Kirchner had played a moderating role with Chavez in the past. I noted that Kirchner had met with the Venezuelan Opposition a number of times, even when Lula had refused to do so. I hoped that President Kirchner would continue to work on behalf of Venezuelan democracy.

6. (C) Fernandez understood our position. He assured me that Kirchner would continue to urge Chavez not to criticize us and not to cross the line with the Opposition. That said, Argentina still believes that it is better to engage Chavez than to isolate him. Fernandez revealed that during Kirchner's lunch with Chavez, the Argentine president made it very clear that Argentina was grateful for the support it had received from the United States in the IMF. I asked what Chavez had said. He only listened, but said nothing, said Fernandez.

U.S.-Argentine Relations  
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7. (SBU) In Fernandez's opinion, U.S.-Argentine relations are at a high point. Fernandez repeated the point of Argentina's appreciation for U.S. support during the Kirchner term. I agreed that relations were good, but said

there were a number of problems. We certainly appreciate Argentina,s cooperation on counter-terrorism; its cooperation on regional issues like Bolivia and Haiti, and our dialogue on Venezuela; the generally fair treatment that U.S. investors receive. I said that our countries are working together on a plethora of issues, many of which are not reported in the press. As an example, I cited the recent DS training of 170 Argentine health and law enforcement officials on weapons of mass destruction. It had gone extremely well, yet there seemed to be a reluctance on the part of some in publicizing our efforts.

18. (C) Fernandez seemed surprised by my assertion. He said Argentines respected the American people and U.S. institutions, even if we disagreed on some foreign policy issues like Iraq. He expressed no objection to publicizing our joint efforts, especially on such an important issue as weapons of mass destruction, and particularly after the recent nightclub fire in which almost 200 people had died.

#### Summit of the Americas -----

19. (SBU) This year will be an important one in our relations, I noted, culminating in the November Summit of the Americas in Mar del Plata. We should work to eliminate or at a minimum substantially reduce bilateral problems. Fernandez agreed. He said the Summit would go well, and pledged his cooperation to ensure that our objectives were met.

#### Article 98 -----

10. (C) One lingering irritant in our bilateral relations was the inability of the U.S. and Argentina to hold joint military exercises on Argentine soil, I observed. One way to eliminate this problem was for Argentina and the U.S. to sign an Article 98 agreement. I recounted how FM Bielsa had expressed optimism during his recent meeting with Secretary Powell that our countries could reach an agreement on this issue. I said we respected Argentina,s decision to join and be an active participant in the International Criminal Court, but the ICC charter actually permitted countries to sign Article 98 agreements. Fernandez had some familiarity with the issue, but clearly had not been directly involved in it. He said this would be a difficult issue for the GoA, but promised to get involved. I said our lawyers had come a long way in finding language that would be acceptable to both sides; with some effort, we could find a solution.

#### Terrorism Legislation, AMIA -----

11. (SBU) I urged the GoA to ratify two counter-terrorism conventions: the 1971 OAS Convention on the Suppression of Terrorism and the 1999 UN Convention on the Suppression of Terrorism Finance. The Senate has ratified both conventions, but the Chamber of Deputies has not brought them to a vote. I added that the Chairman of the House Foreign Affairs Committee, Deputy Jorge Arguello, was working on this and other terrorism issues with the Embassy.

12. (SBU) Fernandez said he was aware of Arguello,s efforts, and agreed it was important that Argentina ratify the conventions. He passed on that he had recently met with Jewish organizations on the next steps of the AMIA case. The Jewish groups had urged the GoA to continue to pursue leads in the case until the perpetrators were charged; Fernandez pledged that the GoA would continue to do so. Fernandez asked if the ratification of the two conventions would have an impact on GoA efforts on AMIA. I said I did not think so, but that we would look into the matter.

#### Investor Issues -----

13. (SBU) I thanked Fernandez for the GoA,s issuing a contract to Rolls Royce USA to repair the damaged Rolls Royce engines in the presidential jet, Tango One. I briefed him on the Container Security Initiative and said we were close on signing a memorandum of understanding. I also noted progress on the GoA purchase of three Northrop Grumman TPS 78 radar upgrades. We also discussed Liberty Media/Hicks Muse,s difficulties with the Argentine agency COMFER in confirming their status as shareholders.

14. (SBU) Fernandez said progress had been made in disputes with foreign companies, but the utility companies, and particularly the French-owned Aguas Argentinas, were still a problem. During Kirchner,s trip to France, Fernandez said that President Chirac had made it clear that the GoF would not fall on its sword over the issue, saying that it was not an issue between the two governments. Fernandez said that Kirchner had sought help from Spanish PM Zapatero in dealing with Spanish-owned companies. Zapatero understands our point

of view but was not as categorical as Chirac.

Debt  
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15. (SBU) Fernandez was optimistic that Argentina would secure a high participation rate for its debt offer. He related that during the road show Argentine officials had ascertained that many foreign creditors were really Argentines with assets abroad. These Argentines had presumably moved their money abroad in order to avoid paying taxes. Therefore, Fernandez continued, these Argentine creditors are unlikely to call attention to themselves or their assets. Thus, they are more likely to accept the GoA offer than to sue the GoA and expose themselves to the Argentine equivalent of the IRS.

ICSID Claims  
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16. (SBU) Fernandez said it was not realistic to expect that Argentina would pay for any ICSID claims that they would lose before the World Bank mechanism. It simply could not afford it. Moreover, to pay companies for losses during the Argentine economic crisis would put companies in a more privileged status than ordinary Argentines, who had to swallow them with no relief. The only way companies could hope to obtain anything from the GoA was to negotiate. I explained to Fernandez that once U.S. companies opted for ICSID arbitration, by law we did not provide normal advocacy. That said, some U.S. companies were willing to negotiate, and one company, AES, had recently come to an agreement with the GoA but often they had trouble identifying an interlocutor on the GoA side. Fernandez reiterated that the GoA was always willing to negotiate.

Energy  
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17. (SBU) Fernandez was optimistic that the GoA would get through the coming winter without an energy crisis. We have secured additional electricity from Brazil and fuel oil from Venezuela, so we should be all right, he claimed. The GoA was seeking to lower gas consumption in the country. (COMMENT: Last winter the GoA was fortunate that it was one of the mildest winters in memory. If this winter is more typical, the GoA may face some problems.)

Internal Politics  
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18. Fernandez described former President Eduardo Duhalde as a political animal. Duhalde had recently paid a call on Fernandez, ostensibly to talk about Lula, Chavez and Mercosur, but he spent the bulk of the meeting talking about an internal election in the remote village of La Matanza. Fernandez opined that by offering to hold a plebiscite, Buenos Aires Mayor Anibal Ibarra had gained the upper hand in his battle to remain mayor following the criticism of his administration after the Cromagnon nightclub fire. (COMMENT: There may be a bit of wishful thinking on Fernandez, part, since he is known to be dating Ibarra's sister, Congress Deputy Vilma Ibarra. END COMMENT) On the other hand, Buenos Aires province governor Felipe Sola was a long way from winning his battle with Duhalde on the budget. The crafty Duhalde still controlled the Buenos Aires legislature.

Comment  
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19. (C) Fernandez is a useful interlocutor for this Embassy, and will be helpful in the months to come as we prepare for the Summit. Formerly described as a center-Right politician, he has hitched his wagon to Kirchner and provides a dose of Buenos Aires realpolitik to the igloo that has become the Casa Rosada after the arrival of Kirchner and his penguins. End Comment.  
GUTIERREZ